



## **Biweekly Narrative Seafood Report( No: 16-2001):Korea**

Prepared by Alaska State Trade Representative in Korea  
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### **1. Korean Economy Update**

**Korea faces 'crisis' and 'opportunity':** The emergence of China as one of the world's leading economic powers threatens Korean industry, but at the same time it provides a great opportunity for future development.

Entry into the World Trade Organization (WTO) and the 2008 Beijing Olympic Games foretell the opening of the Chinese age. China, a nation with a population of 1.3 billion, is maintaining a high economic growth amid the overall slowdown of the world economy. Along with the entry into the WTO, last July, the People's Republic of China succeeded dramatically in inducing the 2008 Summer Olympic Games to Beijing. Both big events will provide China with the springboard for another takeoff.

#### **Chinese age opens**

China had been a "factory of the world" but now it is turning into the "heart of the world economy" China is the engine room of the world economy.

A great number of global enterprises and worldwide financial institutions have rushed into China with money and technology. Among the world best 500 enterprises, 400 are investing in China. They think that, "if they lose China, they will lose the future" They are fighting as a matter of life or death to win the economic Olympics in China.

Entry into the WTO and the 2008 Beijing Olympics will make the gold rush into China even fiercer. In its recent special China report, McKinsey, a world class consulting company from the U.S., predicted that China would undergo explosive changes in the financial sector such as banking and insurance, internet services sector and distribution sector.

China is a huge venture country. Since 1978, when Chinese leader Deng Xiaoping started to wage a crusade of reform, the experiment of mixing capitalism with socialism has taken place throughout the country. Without looking right or left, China has only run straight ahead to feed its 1.3 billion people. As a result, for the last 20 years, it has maintained an average annual economic growth rate of 9.6%, and its GDP for 2000 exceeded US\$1.0 trillion; while in terms of GDP it ranks among the world's seven greatest economic nations. The IMF prediction that in 2010 China would become the greatest economic power, while overtaking the U.S., is coming closer to fruition. China is making progress at terrific speed.

### **Dream of becoming a global leader**

Through the 10th Five-Year Plan, the Chinese government has placed top priority on the implementation of a market economy. A market-oriented economy is its overriding task. A senior official of the State Economic & Trade Commission (SETC) said that, "Five years from now is the most crucial time for accomplishing a market economy system, and corporate restructuring will be conducted in a market-oriented and enterprise-initiated way." To this end, the government is reforming the capital market system and pursuing price liberalization. The main frame of the economy has been shifted to the private sector. In the 1980s, in the early stage of reform and openness, the weight of state-owned enterprises was overwhelming (76% on the basis of gross industrial products), but now it has been reduced to 26%.

In contrast, the weighting of both private enterprises and foreign enterprises has rapidly increased from 3% to 41%. The system of stock options, evaluation of superiors and incentives is being established naturally in business organizations. Furthermore, the 2008 Beijing Olympics and entry into the WTO will help to fuel the Chinese potential.

The director of McKinsey's Shanghai office said that, "The remarkable growth of Chinese companies in such industrial fields as electronics, steel, automobiles and shipbuilding is a result of not only low wages but also technology and a huge market. For the next two to five years after entry into the WTO, the leading Chinese companies will accelerate their globalization strategies." Some leading players are now benchmarking the successful model of General Electric in the U.S. However, hinting at the possibility of overheating, he pointed out, "Most companies are much too dependent on bank loans. Bank loans provide 80% of total financing. Although China is placing financial restructuring at the top of its agenda of national tasks, Chinese companies will

have many difficulties to overcome until the banking sector restructuring is implemented.

### **Fusion strategy is desirable**

The rise of China provides Korea simultaneously with a "crisis" and an "opportunity" For a long time we enjoyed low-priced products markets, but we have lost those markets to China. Also, China is now running at a terrific speed in the direction of information technology (IT). As a result, Korean businesses fear China's potential. On the other hand, China's 1.3 billion population could be an El Dorado worthwhile to challenge.

Many China watchers advise Korea to keep a fusion strategy in its relationship with China. As China has tried to fuse with the U.S and western countries in order to secure an economic takeoff, Korea also has to blend with China so that the rapid Chinese economic expansion can provide Korea with a good opportunity.

First, Korean companies should focus on the "high-end market" in order to succeed in China. A senior researcher at the Samsung Economic Research Institute said that, "Although the general income level in China is still low, as a result of the severe gap between the rich and poor there is a population of 60 million in the high income bracket. Consequently, Korea has to sell high-priced, high-tech products to the wealthy.

Ro Yong-Ak, vice chairman of LG Chinese Holding Co., who is a well-informed source of information about China, stressed, "It is one hundred% certain that we will lose in the Chinese market if we try to sell uncompetitive products to the Chinese people. We have to compete with the best quality products in order to win the game. What matters most is that our viewpoint on China has remained unchanged even though China has transformed itself enormously." He also added that, "We have to cooperate with China as a strategic partner."

*(Source: November 12, 2001, Federation of Korean Industries, Korea)*

## **2. Korea's Wholesale Fisheries Market Update**

### **1) Noryangjin Wholesale Fisheries Market (October 31- November 6, 2001)**

Squid, chub mackerel, and oyster were the main species, which were supplied to the market during the above period.

- Squid

Supply Volume - 36 tons per day,

Price - W 8,000 per 6-kg- box for medium, same as the previous week

- Chub Mackereal

Supply Volume – 30 - 40 tons per day

Price - W 12,000 per 12-fish- box for medium, same as the previous week

- Saury (frozen imported from Japan):

Supply - 2.4 tons per day,

Price- W 16,000 per 40 fish

- Live small flounder (dodari) for sashimi:

Price - W 18,700 per kg for medium

- Oyster: Supply Volume – 8 kg per day,

Price - W 7,000 per kg for medium (up 30 % from the previous week)

### **b) Garak-Dong Wholesale Fisheries Market (October 30 – November 5, 2001)**

As the weather gets colder, the consumption on seafood is on the increase. However, the prices of main species were downward due to large supply of imported fish.

- Fresh mackerel (local): Price - W 24,000 per 10-kg-box for medium,

- Frozen mackerel: Price - W 41,000 per 20-kg-box for medium

- Fresh hair tail (local, Cheju Island): Price – W 37,500 per 3-kg-box

- Fresh Alaska Pollock(imported from Japan): Price – W 60,000 ~ 70,000 /10-kg-box

*(Source: November 12, 2001, the Korea Fisheries Times, Seoul, Korea)*